

**CHARLEVOIX PUBLIC SCHOOLS**

**CHARLEVOIX, MICHIGAN**

**JUNE 30, 2006**

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2006

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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

July 7, 2006

## INDEPENDENT AUDITORS' REPORT

Board of Education  
Charlevoix Public Schools  
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlevoix Public Schools as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charlevoix Public School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Charlevoix Public Schools as of June 30, 2006 and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 7, 2006, on our consideration of Charlevoix Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through x and 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charlevoix Public Schools, Charlevoix, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

**Charlevoix Public Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

Charlevoix Public Schools, a K-12 school district located in Charlevoix and Antrim Counties, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Charlevoix Public Schools administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006 along with specific comparative information as required.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

**A. Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**B. Government-Wide Financial Statements**

The government-wide financial statements are calculated using full accrual accounting and more closely resemble those presented by business and industry. The entire District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

**Charlevoix Public Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

**C. Summary of Net Assets**

The following schedule summarizes the net assets at fiscal years ended June 30, 2006 and 2005:

	2005-2006 Fiscal Year	2004-2005 Fiscal Year
<b>Assets</b>		
Current Assets	\$ 4,565,720	\$ 4,595,216
Non Current Assets		
Capital Assets	30,123,315	29,943,682
Less Accumulated Depreciation	(5,940,355)	(5,080,990)
Total Non Current Assets	24,182,960	24,862,692
Total Assets	\$ 28,748,680	\$ 29,457,908
<b>Liabilities</b>		
Current Liabilities	\$ 2,589,548	\$ 2,473,593
Non Current Liabilities	16,914,999	17,594,686
Total Liabilities	19,504,547	20,068,279
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	7,517,960	7,607,692
Restricted for Debt Service	605,688	440,323
Restricted for Capital Projects	449,216	0
Unrestricted	671,269	1,341,614
Total Net Assets	9,244,133	9,389,629
Total Liabilities and Net Assets	\$ 28,748,680	\$ 29,457,908

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2006, the District's net assets decreased by \$145,496. A few of the more significant factors affecting net assets during the year are discussed below:

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2006, \$859,365 was recorded for depreciation expense.

**Charlevoix Public Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2006, \$179,633 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$ 679,732 for the fiscal year ended June 30, 2006.

**E. Results of Operations**

For the fiscal years ended June 30, 2006 and 2005, the results of operations, on a District-wide basis, were:

	2006		2005	
	Amount	% of Total	Amount	% of Total
<b>General Revenues</b>				
Property Taxes	\$ 8,908,479	60.0%	\$ 8,428,359	57.3%
Investment Earnings	233,106	1.6%	106,782	0.7%
State Sources	3,614,870	24.3%	4,161,249	28.3%
Other	151,906	1.0%	145,162	1.0%
Total General Revenues	12,908,361	86.9%	12,841,552	87.3%
<b>Program Revenues</b>				
Charges for Services	573,613	3.9%	564,806	3.8%
Operating Grants	1,373,999	9.2%	1,309,944	8.9%
Total Program Revenues	1,947,612	13.1%	1,874,750	12.7%
Total Revenues	14,855,973	100.0%	14,716,302	100.0%
<b>Expenses</b>				
Instruction	8,302,405	55.4%	8,173,652	55.3%
Supporting Services	4,150,326	27.7%	4,072,268	27.5%
Food Service Activities	480,750	3.2%	486,317	3.3%
Athletic Activities	283,203	1.9%	270,851	1.8%
Community Services	5,017	0.0%	8,486	0.1%
Interest on Long-Term Debt	857,801	5.7%	881,861	6.0%
Other Transactions	62,602	0.4%	52,193	0.4%
Unallocated Depreciation	859,365	5.7%	824,552	5.6%
Total Expenses	15,001,469	100.0%	14,770,180	100.0%
Change in Net Assets	\$ <u>(145,496)</u>		\$ <u>(53,878)</u>	



**Charlevoix Public Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

**F. Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2005-2006 fiscal year, the District levied \$6,752,163 in non-homestead property taxes. This represented an increase of 5.54% from the prior year. The amount of unpaid property taxes at June 30, 2006, was \$7,472.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-Homestead Tax Levy	% Increase (Decrease) from Prior Year
2005-2006	6,752,163	5.54%
2004-2005	6,397,782	8.28%
2003-2004	5,908,439	6.33%
2002-2003	5,556,608	9.88%
2001-2002	5,056,795	6.77%

**2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2005-2006 fiscal year, the District received a base foundation allowance of \$8,062 per student FTE which represented a \$ 175 per student increase from the net foundation allowance received in 2004-2005.

**Charlevoix Public Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

**3. Student Enrollment**

The following schedule summarizes the blended general education student enrollment for the past five fiscal years:

Fiscal Year	Blended Student FTE	FTE Change from Prior Year
2005-2006	1,298	(52)
2004-2005	1,350	(7)
2003-2004	1,357	(14)
2002-2003	1,371	(14)
2001-2002	1,385	(9)

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2006, federal, state, and other grants accounted for \$1,373,999. This represents an increase over the total grant sources of \$64,055 received for the 2004-2005 fiscal year.

**5. Sinking Fund**

For the fiscal year ended June 30, 2006, the District received \$582,973 from a sinking fund tax levy of .8814 mills. The District utilized these funds as part of an ongoing capital repair program to several of the buildings within the District, as well as additions to the athletic fields at Charlevoix High School. This sinking fund millage has been approved through the 2008 tax roll year.

**Charlevoix Public Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

**6. Comparative Expenditures**

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures	2005-2006 Fiscal Year	2004-2005 Fiscal Year	Increase (Decrease)
Instruction	\$ 8,378,291	\$ 8,233,827	\$ 144,464
Supporting Services	4,274,296	4,849,241	(574,945)
Food Service Activities	480,214	482,451	(2,237)
Athletic Activities	283,203	270,851	12,352
Community Services	5,017	8,486	(3,469)
Debt Service	1,452,329	1,410,779	41,550
Other Transactions	46,637	55,339	(8,702)
Transfers Out	209,147	192,708	16,439
Total Expenditures	\$ 15,129,134	\$ 15,503,682	\$ (374,548)

A comparison of expenditures by fund is as follows:

Expenditures	2005-2006 Fiscal Year	2004-2005 Fiscal Year	Increase (Decrease)
General Fund	\$ 12,806,286	\$ 12,582,379	\$ 223,907
Food Service Fund	480,214	482,451	(2,237)
Athletic Activities Fund	283,203	270,851	12,352
Debt Service Fund	1,455,915	1,414,740	41,175
Capital Projects-Sinking Fund	103,516	753,261	(649,745)
Total Expenditures	\$ 15,129,134	\$ 15,503,682	\$ (374,548)

**Charlevoix Public Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

**G. General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2005-2006 fiscal year, the District amended the general fund budget three times, with the Board adopting the changes in November 2005, March 2006 and June 2006. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Total Revenues	\$ 12,239,145	\$ 12,197,321	\$ 12,085,316	\$ (112,005)
<b>EXPENDITURES</b>				
Instruction	\$ 8,357,002	\$ 8,688,997	\$ 8,378,291	\$ (310,706)
Supporting Services	4,382,704	4,472,753	4,170,780	(301,973)
Community Services	8,000	9,000	5,017	(3,983)
Other Transactions	0	64,000	43,051	(20,949)
Transfers Out	267,000	213,600	209,147	(4,453)
Total Expenditures	\$ 13,014,706	\$ 13,448,350	\$ 12,806,286	\$ (642,064)

The original revenue budget of \$12.239 million was reduced to \$12.197 million primarily as a result of lower than anticipated student counts.

The original expenditure budget of \$13.014 million was increased to \$13.448 million primarily as a result of an early retirement incentive that resulted in the retirement of 4 District teachers.

The total revenues variance of \$112,005 is .9% of total budgeted revenues and the total expenditures variance of \$642,064 is approximately 5 % of the total General Fund expenditures for the year.

**H. Capital Asset and Debt Administration**

**1. Capital Assets**

By the end of the 2005-2006 fiscal year, the District had invested over \$30.123 million in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of approximately \$179,633 over the prior

**Charlevoix Public Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

fiscal year. Depreciation expense for the year amounted to \$859,365, bringing the accumulation to \$5.940 million as of June 30, 2006.

## **2. Long-Term Debt**

At June 30, 2006, the District had \$16,665,000 in bonded debt outstanding. This represents a reduction of \$590,000 over the amount outstanding at the close of the prior fiscal year as no new debt was issued in the 2005-2006 fiscal year.

## **I. Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2006-2007 and 2007-2008 fiscal years. The early indication is that the foundation allowance will receive a small increase. This will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Additionally, the State has increased the retirement rate for 2006-2007 to 17.74% from 16.34%, and another increase is projected for 2007-2008. The number of retirees projected to occur over the next few years may also result in higher annual increases.
- The contracts with the Northern Michigan Education Association of Charlevoix and the Northern Michigan Education Association, the unions that represent the teaching staff and support staff, expire in August 2008.
- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Educational Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Left Behind Act, adequate yearly progress of students becomes very important. This increase in assessments of all students will need to be funded by the district.

## **J. Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Business Manager, Charlevoix Public Schools, 208 Clinton Street, Charlevoix, Michigan 49720.

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2006

ASSETS

CURRENT ASSETS

Cash	\$ 2,152,369
Taxes Receivable	63,632
Accounts Receivable	706,251
Inventories	55,105
Investments	1,588,363
Total Current Assets	4,565,720

NON CURRENT ASSETS

Capital Assets	30,123,315
Less Accumulated Depreciation	(5,940,355)
Total Non Current Assets	24,182,960

TOTAL ASSETS	\$ 28,748,680
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LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 74,370
Accrued Expenses	557,536
Accrued Interest Payable	139,588
Salaries Payable	827,084
Deferred Revenue	330,970
Current Portion of Non Current Liabilities	660,000
Total Current Liabilities	2,589,548

NON CURRENT LIABILITIES

Bonds Payable	16,665,000
Compensated Absences	909,999
Less Current Portion of Non Current Liabilities	(660,000)
Total Non Current Liabilities	16,914,999
Total Liabilities	19,504,547

NET ASSETS

Invested in Capital Assets Net of Related Debt	7,517,960
Restricted for Debt Service	605,688
Restricted for Capital Projects	449,216
Unrestricted	671,269
Total Net Assets	9,244,133

TOTAL LIABILITIES AND NET ASSETS	\$ 28,748,680
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The notes to the financial statements are an integral part of this statement.

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS	ACTIVITIES
				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 6,696,204	\$ 181,982	\$ 70,757	\$ (6,443,465)
Added Needs	1,606,201	0	1,134,667	(471,534)
Supporting Services				
Pupil	450,641	0	2,934	(447,707)
Instructional Staff	385,401	0	2,614	(382,787)
General Administration	337,043	0	0	(337,043)
School Administration	813,441	0	0	(813,441)
Business	165,343	0	0	(165,343)
Operation and Maintenance	1,298,525	0	0	(1,298,525)
Pupil Transportation Services	547,487	0	0	(547,487)
Central Services	152,445	0	0	(152,445)
Food Service Activities	480,750	284,426	163,027	(33,297)
Athletic Activities	283,203	107,205	0	(175,998)
Community Services	5,017	0	0	(5,017)
Interest on Long Term Debt	857,801	0	0	(857,801)
Other Transactions	62,602	0	0	(62,602)
Unallocated Depreciation	859,365	0	0	(859,365)
Total Governmental Activities	\$ 15,001,469	\$ 573,613	\$ 1,373,999	(13,053,857)
<u>GENERAL REVENUES</u>				
Property Taxes -General Purposes				6,752,163
Property Taxes -Debt Service				1,573,343
Property Taxes -Sinking Fund				582,973
Investment Earnings				233,106
State Sources				3,614,870
Other				151,906
Total General Revenues				12,908,361
Change in Net Assets				(145,496)
NET ASSETS - Beginning of Year				9,389,629
NET ASSETS - End of Year				\$ 9,244,133

The notes to the financial statements are an integral part of this statement.

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2006

	GENERAL	DEBT	OTHER	TOTAL
	FUND	SERVICE	NONMAJOR	GOVERNMENTAL
	FUND	FUND	FUNDS	FUNDS
<u>ASSETS</u>				
Cash	\$ 945,791	\$ 739,378	\$ 467,200	\$ 2,152,369
Taxes Receivable	56,092	5,898	1,642	63,632
Accounts Receivable	701,235	0	5,016	706,251
Due from Other Funds	14,510	0	0	14,510
Inventories	47,791	0	7,314	55,105
Investments	1,588,363	0	0	1,588,363
TOTAL ASSETS	\$ 3,353,782	\$ 745,276	\$ 481,172	\$ 4,580,230
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 74,370	\$ 0	\$ 0	\$ 74,370
Accrued Expenses	557,536	0	0	557,536
Salaries Payable	827,084	0	0	827,084
Due to Other Funds	0	0	14,510	14,510
Deferred Revenue	378,911	5,089	1,294	385,294
Total Liabilities	1,837,901	5,089	15,804	1,858,794
<u>FUND BALANCES</u>				
Reserved for Inventory	47,791	0	7,314	55,105
Reserved for Debt Service	0	740,187	0	740,187
Reserved for Capital Projects	0	0	447,922	447,922
Designated for Employee Retirement	900,000	0	0	900,000
Unreserved, Undesignated Reported In:				
General Fund	568,090	0	0	568,090
Special Revenue Funds	0	0	10,132	10,132
Total Fund Balances	1,515,881	740,187	465,368	2,721,436
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,353,782	\$ 745,276	\$ 481,172	\$ 4,580,230

The notes to the financial statements are an integral part of this statement.



CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2006

Total Governmental Fund Balances		\$ 2,721,436
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of the capital assets is	30,123,315	
Accumulated depreciation is	<u>(5,940,355)</u>	24,182,960
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(16,665,000)
Compensated Absences		(909,999)
Accrued interest is not included as a liability in government funds, it is recorded when paid		(139,588)
Balance of taxes receivable at June 30, 2006, expected to be collected after September 1, 2006		<u>54,324</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 9,244,133</u></u>

The notes to the financial statements are an integral part of this statement.

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	GENERAL FUND	DEBT SERVICE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 7,211,331	\$ 1,617,508	\$ 990,122	\$ 9,818,961
State Sources	4,168,209	0	27,418	4,195,627
Federal Sources	204,431	0	135,609	340,040
Other Transactions	487,687	0	0	487,687
Total Revenues	12,071,658	1,617,508	1,153,149	14,842,315
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	6,721,544	0	0	6,721,544
Added Needs	1,656,747	0	0	1,656,747
Supporting Services				
Pupil	453,536	0	0	453,536
Instructional Staff	420,423	0	0	420,423
General Administration	348,741	0	0	348,741
School Administration	827,496	0	0	827,496
Business	164,116	0	0	164,116
Operation and Maintenance	1,264,838	0	103,516	1,368,354
Pupil Transportation Services	541,546	0	0	541,546
Central Services	150,084	0	0	150,084
Food Service Activities	0	0	480,214	480,214
Athletic Activities	0	0	283,203	283,203
Community Services	5,017	0	0	5,017
Debt Service				
Principal	0	590,000	0	590,000
Interest	0	862,329	0	862,329
Other Transactions	43,051	3,586	0	46,637
Total Expenditures	12,597,139	1,455,915	866,933	14,919,987
Excess (Deficiency) of Revenues Over (Under) Expenditures	(525,481)	161,593	286,216	(77,672)
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of School Property	13,658	0	0	13,658
Transfers In	0	0	209,147	209,147
Transfers Out	(209,147)	0	0	(209,147)
Total Other Financing Sources (Uses)	(195,489)	0	209,147	13,658
Net Change in Fund Balances	(720,970)	161,593	495,363	(64,014)
FUND BALANCE - Beginning of Year	2,236,851	578,594	(29,995)	2,785,450
FUND BALANCE - End of Year	\$ 1,515,881	\$ 740,187	\$ 465,368	\$ 2,721,436

The notes to the financial statements are an integral part of this statement.

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Net change in Fund Balances Total Governmental Funds	\$ (64,014)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(859,365)
Capital Outlay	179,633

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	144,116
Accrued Interest Payable - End of Year	(139,588)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	590,000
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Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred Revenue from Property Taxes - Beginning of Year	(70,289)
Deferred Revenue from Property Taxes - End of Year	54,324

Employees Early Retirement and Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	929,686
Compensated Absences - End of Year	(909,999)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (145,496)</u>
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The notes to the financial statements are an integral part of this statement.

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS

JUNE 30, 2006

	<u>ASSETS</u>	<u>AGENCY FUNDS</u>
Cash		\$ <u><u>107,315</u></u>
	<u>LIABILITIES</u>	
Due to Groups and Organizations		\$ <u><u>107,315</u></u>

The notes to the financial statements are an integral part of this statement.

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Charlevoix Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The School District is located in Charlevoix and Antrim Counties with its administrative offices located in Charlevoix, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,298 students in elementary, middle school, high school, special education and adult education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *GENERAL FUND* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *DEBT SERVICE FUND* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Other Non-Major Funds**

The *SPECIAL REVENUE FUNDS* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *CAPITAL PROJECTS SINKING FUND* records capital project activities funded with Sinking Fund millage.

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**Fiduciary Funds**

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *AGENCY FUND* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005. For fiscal year ended June 30, 2006, the per pupil foundation allowance was \$8,062 for Charlevoix Public Schools.

CHARLEVOIX PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as accounts receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".



CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due July 1. Unpaid taxes become delinquent as of September 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	17.95500
Capital Projects Sinking Fund - Homestead and non-homestead	0.8814
Debt Service Fund - Homestead and non-homestead	2.3400

4. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of supplies held for consumption. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

The investment in the building for the Building and Trade projects is recognized as an asset on the General Fund balance sheet. The value is stated at cost of the building. The teachers' salaries for supervising the Building and Trade projects is not included in inventory, but is charged to General Fund Expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

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6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

At June 30, 2006, the noncurrent liability to the employees for accumulated sick leave and related fringe benefits is estimated at \$909,999. It is reasonably possible that the estimated liability could change significantly due to non-vested teachers leaving the district or a higher or lower than normal use of employee sick leave. The portion of this liability expected to be paid to employees retiring in 2006-2007 was reported as a current liability in the General Fund at June 30, 2006.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The District has opted to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2002.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The coordinator of business services submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The superintendent is charged with general supervision of the budgets and shall hold the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted or as amended by the School Board of Education throughout the year.

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following funds:

No funds had an excess of expenditures over appropriations for the year.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments – Credit Risk**

The District's deposits and investments are all on deposit with banks located in the State of Michigan and Michigan School District Liquid Asset Fund Plus.

*Investment rate risk.* The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

*Foreign currency risk.* The District is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

*Concentration of credit risk.* The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006, \$2,059,159 of the government's bank balance of \$2,459,159 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name.

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Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds \$ 1,588,363

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2006, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	DEPOSITS	INVESTMENTS	FIDUCIARY ASSETS	TOTAL
Cash	\$2,152,369	\$ 0	\$ 107,315	\$2,259,684
Investments	0	1,588,363	0	1,588,363
	<u>\$2,152,369</u>	<u>\$ 1,588,363</u>	<u>\$ 107,315</u>	<u>\$3,848,047</u>

**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	GENERAL FUND	NONMAJOR AND OTHER FUNDS	TOTAL
Receivables			
Taxes	\$ 56,092	\$ 7,540	\$ 63,632
Accounts	701,235	5,016	706,251
Total Receivables	<u>\$ 757,327</u>	<u>\$ 12,556</u>	<u>\$ 769,883</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

CHARLEVOIX PUBLIC SCHOOLS  
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Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent Property Taxes Receivable-General Fund	\$ 47,941	\$ 0
Delinquent Property Taxes Receivable-Debt Service Fund	5,089	0
Delinquent Property Taxes Receivable-Capital Projects Sinking Fund	1,294	0
Grant Receipts Received, But Not Yet Utilized	0	330,970
Total Deferred/Unearned Revenue for Governmental Funds	\$ 54,324	\$ 330,970

**C. Capital Assets**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Assets not being depreciated - Land	\$ 466,745	\$ 0	\$ 0	\$ 466,745
Other capital assets:				
Land improvements	1,082,519	21,400	0	1,103,919
Buildings and additions	25,393,961	52,900	0	25,446,861
Machinery and equipment	1,314,751	52,277	0	1,367,028
Textbooks and Library books	684,651	53,056	0	737,707
Transportation equipment	1,001,055	0	0	1,001,055
Subtotal	29,476,937	179,633	0	29,656,570
Less Accumulated Depreciation				
Land improvements	74,429	26,091	0	100,520
Buildings and additions	3,613,213	566,603	0	4,179,816
Machinery and equipment	263,237	104,885	0	368,122
Textbooks and Library books	470,189	77,075	0	547,264
Transportation equipment	659,922	84,711	0	744,633
	5,080,990	859,365	0	5,940,355
Net other capital assets	24,395,947	(679,732)	0	23,716,215
Net capital assets	\$ 24,862,692	\$ (679,732)	\$ 0	\$ 24,182,960

Depreciation for the fiscal year ended June 30, 2006 amounted to \$859,365. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

CHARLEVOIX PUBLIC SCHOOLS  
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**D. Long-Term Debt**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2006:

	Compensated Absences	Bonds	Total
Balance July 1, 2005	\$ 929,686	\$ 17,255,000	\$ 18,184,686
Additions	0	0	0
Deletions	19,687	590,000	609,687
Balance June 30, 2006	909,999	16,665,000	17,574,999
Less current portion	0	660,000	660,000
Total due after one year	\$ 909,999	\$ 16,005,000	\$ 16,914,999

Bonds payable at June 30, 2006 is comprised of the following issues:

1999 School Building and Site Bonds Due in Annual Installments of \$620,000 to \$780,000 through May 1, 2009, Interest at 4.80% to 5.00%	\$ 2,095,000
2001 Refunding Bonds Due in Annual Installments of \$40,000 to \$1,500,000 Through May 1, 2020, Interest at 3.35% to 5.50%	14,570,000
Total bonded debt	\$ 16,665,000

The annual requirements to amortize debt outstanding as of June 30, 2006, including interest payments of \$7,192,984 are as follows:

Year ending June 30,	Principal	Interest	Amounts Payable
2007	\$ 660,000	\$ 835,240	\$ 1,495,240
2008	740,000	804,140	1,544,140
2009	825,000	768,464	1,593,464
2010	910,000	727,778	1,637,778
2011	1,000,000	692,288	1,692,288
2012-2016	6,530,000	2,611,324	9,141,324
2017-2020	6,000,000	753,750	6,753,750
	16,665,000	7,192,984	23,857,984
Compensated absences	909,999	0	909,999
	\$ 17,574,999	\$ 7,192,984	\$ 24,767,983

CHARLEVOIX PUBLIC SCHOOLS  
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At June 30, 2006, outstanding general obligation bonds of \$14,410,000 are considered to be defeased. The annual requirements to amortize the accrued sick leave is uncertain because it is unknown when the employees will use the sick leave.

**E. Short-Term Debt**

The District incurred no short-term debt activity for the year.

**F. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2006, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 14,510	\$ 0
Food Service Fund	0	12,989
Debt Service Fund	0	1,521
	<u>\$ 14,510</u>	<u>\$ 14,510</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2006, were:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 0	\$ 209,147
School Service Fund - Food Service	34,749	0
School Service Fund - Athletic Activities Fund	174,398	0
	<u>\$ 209,147</u>	<u>\$ 209,147</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the School must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

**G. Designated and Deficit Fund Balance**

The School has designated the General Fund balance as follows:

1. Employee Retirement

As explained further in Footnote 1 item D-6, the District has committed to various provisions for the accumulation of long term sick pay benefits. At June 30, 2006, the fund balance designated for this purpose is \$900,000.



CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

Deficit Fund Balance

The Athletic Activities Fund has a deficit fund balance at June 30, 2006 of \$1,023. It is anticipated that future athletic booster donations will offset this balance.

**NOTE 4 – OTHER INFORMATION**

**A. Employee Retirement System**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2006, were 14.87% from July 1 2005 to September 30, 2005 and 16.34% from October 1 2005 to June 30, 2006. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2006, 2005 and 2004 were \$1,121,575, \$1,026,799 and \$920,224, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

Other Post-employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**B. Single Audit Report**

Current federal guidelines require entities with federal expenditures exceeding \$500,000 to have a "single audit" of federally funded programs. At June 30, 2006, the School District's expenditures for federally funded programs was less than \$500,000 and therefore, the District is not required to have a "Single Audit for the fiscal year ended June 30, 2006.

**C. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2006 or any of the prior three years.

**D. Sinking Fund Tax Levy**

On June 9, 2003, the taxpayers approved a renewal of a sinking fund tax levy. The School is authorized to levy .9 mills for six years beginning with the 2003 tax roll. The actual levy for the 2005 tax roll was .8814 mills due to Headlee rollback provisions. The Sinking Fund will be used for the repairs of school buildings. The transactions for the sinking fund are accounted for in a capital projects fund. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

**E. 2001 Refunding Bonds**

On October 23, 2001, the District issued \$14,725,000 in General Obligation Bonds with interest rates of 2.30% to 5.50% to advance refund \$14,410,000 of outstanding 1999 Series bonds with interest rates of 5.10% to 5.75%. The net proceeds of \$15,098,530 plus an additional \$158,729 of the Debt Fund monies were used to purchase \$15,257,259 of U.S. Government securities. The Debt Fund also paid an additional \$402,471 to pay interest due on the 1999 Series Bonds to be defeased. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1999 Series Bonds. As a result, \$14,410,000 of the 1999 Series Bonds are considered to be

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

defeased and the liability for those bonds has been removed from the non current liabilities of the District. Bond issuance costs of \$80,015 were paid by the bond escrow agent with resources earned on U.S. Government Securities issued.

The district advance refunded the remaining portion of the 1999 bond issue to reduce its total future debt service payments by \$779,136.

\$2,095,000 of 1999 School Building and Site Bonds remain outstanding at June 30, 2006 and are due in annual installments of \$620,000 to \$780,000 through May 1, 2009. The remaining \$14,410,000 will be redeemed by the escrow agent on May 1, 2010.

**F. Lease Information**

The rental expense for the year ended June 30, 2006 was \$6,997.

The rental expense consists of lease agreements on various equipment. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>	<u>AMOUNTS</u>
2007	\$ 3,523
2008	3,523
2009	<u>881</u>
	<u>\$ 7,927</u>

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS BUDGETARY BASIS
<u>REVENUES</u>			
Local Sources	\$ 7,280,300	\$ 7,245,660	\$ 7,211,331
State Sources	4,342,300	4,036,125	4,168,209
Federal Sources	219,820	203,216	204,431
Other Transactions	396,725	698,720	487,687
Total Revenues	12,239,145	12,183,721	12,071,658
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	6,523,958	6,800,201	6,721,544
Added Needs	1,833,044	1,888,796	1,656,747
Supporting Services			
Pupil	461,730	474,580	453,536
Instructional Staff	426,570	443,817	420,423
General Administration	404,595	403,680	348,741
School Administration	790,670	807,785	827,496
Business	169,169	168,499	164,116
Operation and Maintenance	1,339,945	1,376,445	1,264,838
Pupil Transportation Services	570,300	579,150	541,546
Central Services	219,725	218,797	150,084
Community Services	8,000	9,000	5,017
Other Transactions	0	64,000	43,051
Total Expenditures	12,747,706	13,234,750	12,597,139
Excess (Deficiency) of Revenues Over (Under) Expenditures	(508,561)	(1,051,029)	(525,481)
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of School Property	0	13,600	13,658
Transfers Out	(267,000)	(213,600)	(209,147)
Total Other Financing Sources (Uses)	(267,000)	(200,000)	(195,489)
Net Change in Fund Balance	(775,561)	(1,251,029)	(720,970)
FUND BALANCE - Beginning of Year	1,814,878	2,236,851	2,236,851
FUND BALANCE - End of Year	\$ 1,039,317	\$ 985,822	\$ 1,515,881

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2006

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 19,626	\$ 447,574	\$ 467,200
Taxes Receivable	0	1,642	1,642
Accounts Receivable	5,016	0	5,016
Inventory	7,314	0	7,314
TOTAL ASSETS	\$ 31,956	\$ 449,216	\$ 481,172
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Due to Other Funds	\$ 14,510	\$ 0	\$ 14,510
Deferred Revenue	0	1,294	1,294
Total Liabilities	14,510	1,294	15,804
<u>FUND BALANCE</u>			
Reserved for Inventory	7,314	0	7,314
Reserved for Capital Projects		447,922	447,922
Unreserved, Undesignated	10,132	0	10,132
Total Fund Balances	17,446	447,922	465,368
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,956	\$ 449,216	\$ 481,172

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 391,808	\$ 598,314	\$ 990,122
State Sources	27,418	0	27,418
Federal Sources	135,609	0	135,609
	<hr/>	<hr/>	<hr/>
Total Revenues	554,835	598,314	1,153,149
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Operation and Maintenance	0	103,516	103,516
Food Service Activities	480,214	0	480,214
Athletic Activities	283,203	0	283,203
	<hr/>	<hr/>	<hr/>
Total Expenditures	763,417	103,516	866,933
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(208,582)	494,798	286,216
	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES</u>			
Transfers In	209,147	0	209,147
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	565	494,798	495,363
	<hr/>	<hr/>	<hr/>
FUND BALANCE - Beginning of Year - (Deficit)	16,881	(46,876)	(29,995)
	<hr/>	<hr/>	<hr/>
FUND BALANCE - End of Year	\$ 17,446	\$ 447,922	\$ 465,368
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 945,791	\$ 885,925
Taxes Receivable	56,092	319,235
Accounts Receivable	701,235	1,021,846
Due from Other Funds	14,510	130,219
Inventories - Building Trades Project	47,791	47,859
Investments	1,588,363	1,634,229
	<hr/>	<hr/>
TOTAL ASSETS	\$ 3,353,782	\$ 4,039,313
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 74,370	\$ 48,023
Accrued Expenses	557,536	550,527
Salaries Payable	827,084	754,174
Due to Other Funds	0	29
Deferred Revenue	378,911	449,709
	<hr/>	<hr/>
Total Liabilities	1,837,901	1,802,462
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for:		
Inventories	47,791	47,859
Unreserved		
Designated for Employee Retirement	900,000	900,000
Undesignated	568,090	1,288,992
	<hr/>	<hr/>
Total Fund Balance	1,515,881	2,236,851
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,353,782	\$ 4,039,313
	<hr/>	<hr/>

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	2006		2005
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 7,245,660	\$ 7,211,331	\$ 6,767,427
State Sources	4,036,125	4,168,209	4,594,540
Federal Sources	203,216	204,431	239,987
Other Transactions	698,720	487,687	487,317
Total Revenues	12,183,721	12,071,658	12,089,271
<u>EXPENDITURES</u>			
Instruction			
Basic Programs			
Elementary	2,267,185	2,301,431	2,390,819
Middle/Junior High	2,051,525	2,000,412	2,003,771
High School	2,356,906	2,297,098	2,297,409
Pre-School	100,960	99,036	55,768
Summer School	23,625	23,567	19,308
Added Needs			
Special Education	720,500	681,104	653,580
Compensatory Education	245,695	244,315	249,666
Career and Technical Education	922,601	731,328	563,506
Supporting Services			
Pupil			
Guidance Services	473,880	452,942	432,686
Health Services	700	594	3,237
Instructional Staff			
Improvement of Instruction	127,072	106,554	101,658
Educational Media Services	302,350	299,564	292,276
Supervision and Direction	10,595	10,573	9,307
Academic Student Assessment	3,800	3,732	4,076
General Administration			
Board of Education	106,980	64,368	60,965
Executive Administration	296,700	284,373	317,491
School Administration			
Office of the Principal	807,785	827,496	747,364
Business			
Fiscal Services	107,599	106,522	98,246
Other Business Services	60,900	57,594	39,646



CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Operation and Maintenance	1,376,445	1,264,838	1,252,761
Pupil Transportation Services	579,150	541,546	582,209
Central Services			
Staff/Personnel Services	14,450	13,464	7,748
Technology	204,347	136,620	147,039
Community Services			
Community Services Direction	4,000	3,923	3,287
Community Activities	5,000	1,094	5,199
Other Transactions			
Payments to Other Public Schools	64,000	43,051	50,649
Total Expenditures	13,234,750	12,597,139	12,389,671
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(1,051,029)	(525,481)	(300,400)
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from the Sale of Capital Assets	13,600	13,658	4,201
Transfers Out			
School Service Funds			
Food Service	(33,000)	(34,749)	(26,953)
Athletic Activities	(180,600)	(174,398)	(165,755)
Total Other Financing Sources (Uses)	(200,000)	(195,489)	(188,507)
Net Change in Fund Balance	(1,251,029)	(720,970)	(488,907)
FUND BALANCE - Beginning of Year	2,236,851	2,236,851	2,725,758
FUND BALANCE - End of Year	\$ 985,822	\$ 1,515,881	\$ 2,236,851

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	2006		2005
	BUDGET	ACTUAL	ACTUAL
<u>LOCAL SOURCES</u>			
Property Taxes			
Current Tax Roll	\$ 6,800,000	6,752,163	\$ 6,397,782
Penalties and Interest on Delinquent Taxes	23,000	22,104	35,986
Tuition			
Drivers Education	28,300	20,240	29,447
GED Fees	10,000	10,724	8,130
Enrichment	0	0	3,393
Earnings on Investments and Deposits	165,000	178,759	85,402
Other Local Revenues			
Bright Beginnings/Sunshine Club	100,960	98,293	62,933
Rentals	23,000	23,980	29,035
Miscellaneous	46,400	44,612	21,760
Special Bus Trips	11,000	13,978	7,857
Pool Grants	0	0	7,725
Beverages	4,000	5,282	3,988
Title 9 Native American Grant	33,000	31,828	32,509
Adjustment to Prior Year Accounts	0	9,368	40,626
Transfers from Other School Districts			
Intermediate School Districts			
Medicaid Fee for Service	1,000	0	854
Total Local Sources	7,245,660	7,211,331	6,767,427
<u>STATE SOURCES</u>			
Grants-In-Aid Unrestricted			
State School Aid			
Foundation Allowance	3,600,000	3,614,870	4,161,249
Grants-In-Aid Restricted			
State School Aid			
Special Education Obligation	205,000	242,548	262,750
At-Risk	125,425	118,926	129,866
Advanced Learning Grants	0	0	189
Vocational Education	90,000	175,537	37,300
Driver Education	0	0	2,162
Transfers from Other School Districts			
Intermediate School Districts			
Other	15,700	16,328	1,024
Total State Sources	4,036,125	4,168,209	4,594,540

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>FEDERAL SOURCES</u>			
Grants-In-Aid Restricted Received from the Federal Government through the State			
Title I	140,112	140,112	140,994
Title II - Part A	54,429	54,429	55,709
Title II - Part D	2,614	2,614	3,561
Title V	561	852	640
Transfers from Other School Districts			
Intermediate School Districts			
IDEA Flowthrough	0	1,630	28,640
Medicaid Outreach	2,000	1,035	5,605
Drug Free Schools	3,000	2,934	3,396
Other	500	825	1,442
Total Federal Sources	<u>203,216</u>	<u>204,431</u>	<u>239,987</u>
<u>OTHER TRANSACTIONS</u>			
Payments Received from Other Public Schools			
Intermediate School Districts			
Vocational Education	450,000	231,079	211,715
Beaver Island	25,000	25,000	3,796
Special Education	218,000	222,123	256,530
Other School Districts			
Transfers	5,000	8,765	10,855
Tuition	720	720	4,421
Total Other Transactions	<u>698,720</u>	<u>487,687</u>	<u>487,317</u>
Total Revenues	<u>12,183,721</u>	<u>12,071,658</u>	<u>12,089,271</u>
<u>OTHER FINANCING SOURCES</u>			
Proceeds from the Sale of Capital Assets	<u>13,600</u>	<u>13,658</u>	<u>4,201</u>
TOTAL REVENUES AND OTHER SOURCES	\$ <u>12,197,321</u>	\$ <u>12,085,316</u>	\$ <u>12,093,472</u>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>INSTRUCTION</u>			
<u>Basic Programs</u>			
<u>Elementary</u>			
Salaries	\$ 1,367,050	\$ 1,425,168	\$ 1,450,212
Employee Benefits	756,040	773,009	848,401
Purchased Services	111,915	52,348	22,176
Supplies and Materials	26,400	46,403	56,745
Other Expense	5,780	4,503	13,285
	<u>2,267,185</u>	<u>2,301,431</u>	<u>2,390,819</u>
<u>Middle/Junior High</u>			
Salaries	1,242,875	1,225,540	1,264,824
Employee Benefits	669,375	661,688	662,409
Purchased Services	88,300	68,830	15,750
Supplies and Materials	34,360	30,314	56,176
Capital Outlay	6,455	6,455	0
Other Expense	10,160	7,585	4,612
	<u>2,051,525</u>	<u>2,000,412</u>	<u>2,003,771</u>
<u>High School</u>			
Salaries	1,429,645	1,434,735	1,486,940
Employee Benefits	693,651	678,790	685,352
Purchased Services	124,650	72,035	34,134
Supplies and Materials	91,260	96,188	75,265
Other Expense	17,700	15,350	15,718
	<u>2,356,906</u>	<u>2,297,098</u>	<u>2,297,409</u>
<u>Pre-School</u>			
Salaries	79,410	78,087	43,632
Employee Benefits	19,050	18,629	9,804
Supplies and Materials	2,500	2,320	2,332
	<u>100,960</u>	<u>99,036</u>	<u>55,768</u>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Summer School</u>			
Salaries	18,620	18,562	15,231
Employee Benefits	4,180	4,180	3,143
Supplies and Materials	825	825	934
	<u>23,625</u>	<u>23,567</u>	<u>19,308</u>
 <u>Added Needs</u>			
<u>Special Education</u>			
Salaries	420,000	394,991	435,541
Employee Benefits	271,720	259,396	215,838
Purchased Services	25,500	25,146	0
Supplies and Materials	2,880	1,571	2,201
Other Expense	400	0	0
	<u>720,500</u>	<u>681,104</u>	<u>653,580</u>
 <u>Compensatory Education</u>			
Salaries	130,300	136,821	134,697
Employee Benefits	113,445	105,943	103,229
Supplies and Materials	350	385	11,497
Other Expense	1,600	1,166	243
	<u>245,695</u>	<u>244,315</u>	<u>249,666</u>
 <u>Career and Technical Education</u>			
Salaries	347,150	340,137	300,156
Employee Benefits	182,295	169,938	143,940
Purchased Services	26,600	34,213	21,853
Supplies and Materials	84,200	41,394	42,933
Capital Outlay	280,856	145,153	54,624
Other Expense	1,500	493	0
	<u>922,601</u>	<u>731,328</u>	<u>563,506</u>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	2006		2005
	BUDGET	ACTUAL	ACTUAL
<u>SUPPORTING SERVICES</u>			
<u>Pupil</u>			
<u>Guidance Services</u>			
Salaries	305,305	293,720	284,015
Employee Benefits	158,335	154,193	141,514
Purchased Services	4,000	876	368
Supplies and Materials	1,880	748	1,294
Other Expense	4,360	3,405	5,495
	<u>473,880</u>	<u>452,942</u>	<u>432,686</u>
<u>Health Services</u>			
Salaries	0	0	2,788
Employee Benefits	0	0	213
Supplies and Materials	540	420	236
Other Expense	160	174	0
	<u>700</u>	<u>594</u>	<u>3,237</u>
<u>Instructional Staff</u>			
<u>Improvement of Instruction</u>			
Salaries	23,685	19,108	18,316
Employee Benefits	5,705	4,565	4,724
Purchased Services	24,650	27,780	34,444
Supplies and Materials	43,032	25,509	13,725
Other Expense	30,000	29,592	30,449
	<u>127,072</u>	<u>106,554</u>	<u>101,658</u>
<u>Educational Media Services</u>			
Salaries	194,900	193,875	190,549
Employee Benefits	93,560	92,293	88,000
Purchased Services	1,790	1,076	1,157
Supplies and Materials	11,570	11,535	12,181
Other Expense	530	785	389
	<u>302,350</u>	<u>299,564</u>	<u>292,276</u>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	2006		2005
	BUDGET	ACTUAL	ACTUAL
<u>Supervision and Direction</u>			
Salaries	8,570	8,558	8,171
Employee Benefits	2,025	2,015	1,136
	<u>10,595</u>	<u>10,573</u>	<u>9,307</u>
 <u>Academic Student Assessment</u>			
Supplies and Materials	<u>3,800</u>	<u>3,732</u>	<u>4,076</u>
 <u>General Administration</u>			
<u>Board of Education</u>			
Salaries	4,030	4,025	4,025
Purchased Services	91,750	49,638	48,557
Other Expenses	11,200	10,705	8,383
	<u>106,980</u>	<u>64,368</u>	<u>60,965</u>
 <u>Executive Administration</u>			
Salaries	193,975	187,313	210,892
Employee Benefits	83,485	79,495	95,916
Purchased Services	8,400	7,220	5,669
Supplies and Materials	8,050	8,551	2,746
Other Expenses	2,790	1,794	2,268
	<u>296,700</u>	<u>284,373</u>	<u>317,491</u>
 <u>School Administration</u>			
<u>Office of the Principal</u>			
Salaries	532,915	549,916	503,462
Employee Benefits	266,330	271,005	233,440
Purchased Services	1,920	448	497
Supplies and Materials	4,220	3,634	6,698
Other Expense	2,400	2,493	3,267
	<u>807,785</u>	<u>827,496</u>	<u>747,364</u>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	2006		2005
	BUDGET	ACTUAL	ACTUAL
<u>Business</u>			
<u>Fiscal Services</u>			
Salaries	64,000	63,964	61,440
Employee Benefits	33,454	33,173	31,183
Purchased Services	8,725	8,621	4,201
Supplies and Materials	1,100	540	1,256
Other Expenses	320	224	166
	<u>107,599</u>	<u>106,522</u>	<u>98,246</u>
<u>Other Business Services</u>			
Purchased Services			
Insurance and Bond Premiums	30,900	30,704	12,011
Other Expenses	30,000	26,890	27,635
	<u>60,900</u>	<u>57,594</u>	<u>39,646</u>
<u>Operation and Maintenance</u>			
Salaries	413,500	397,789	413,882
Employee Benefits	263,400	254,978	233,288
Purchased Services	611,080	507,267	521,537
Supplies and Materials	79,465	93,790	76,551
Capital Outlay	4,000	3,350	3,333
Other Expenses	5,000	7,664	4,170
	<u>1,376,445</u>	<u>1,264,838</u>	<u>1,252,761</u>
<u>Pupil Transportation Services</u>			
Salaries	283,500	267,720	274,050
Employee Benefits	171,450	156,416	150,628
Purchased Services	21,200	18,097	20,147
Supplies and Materials	95,600	95,186	76,993
Capital Outlay	0	0	53,908
Other Expense	7,400	4,127	6,483
	<u>579,150</u>	<u>541,546</u>	<u>582,209</u>
<u>Central Services</u>			
<u>Staff/Personnel Services</u>			
Purchased Services	14,450	13,464	7,748



CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Technology</u>			
Salaries	82,800	82,792	81,170
Employee Benefits	38,225	37,962	36,013
Purchased Services	5,800	1,274	2,128
Capital Outlay	77,522	14,592	27,728
	<u>204,347</u>	<u>136,620</u>	<u>147,039</u>
 <u>COMMUNITY SERVICES</u>			
<u>Community Services Direction</u>			
Purchased Services	2,500	1,886	2,748
Supplies and Materials	1,500	2,037	539
	<u>4,000</u>	<u>3,923</u>	<u>3,287</u>
<u>Community Activities</u>			
Salaries	5,000	1,094	5,199
 <u>OTHER TRANSACTIONS</u>			
Payments to Other Public Schools	64,000	43,051	50,649
 Total Expenditures	<u>13,234,750</u>	<u>12,597,139</u>	<u>12,389,671</u>
 <u>OTHER FINANCING USES</u>			
Transfers Out			
Special Revenue Funds			
Food Service	33,000	34,749	26,953
Athletic Activities	180,600	174,398	165,755
	<u>213,600</u>	<u>209,147</u>	<u>192,708</u>
 TOTAL EXPENDITURES AND OTHER USES	<u>\$ 13,448,350</u>	<u>\$ 12,806,286</u>	<u>\$ 12,582,379</u>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2006  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	FOOD SERVICE	ATHLETIC ACTIVITIES	TOTALS	
			2006	2005
<u>ASSETS</u>				
Cash	\$ 19,128	\$ 498	\$ 19,626	\$ 39,455
Accounts Receivable	5,016	0	5,016	3,969
Inventory	7,314	0	7,314	8,457
TOTAL ASSETS	\$ 31,458	\$ 498	\$ 31,956	\$ 51,881
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 12,989	\$ 1,521	\$ 14,510	\$ 35,000
<u>FUND BALANCE</u>				
Reserved for Inventory	7,314	0	7,314	8,457
Unreserved, Undesignated - (Deficit)	11,155	(1,023)	10,132	8,424
Total Fund Balance	18,469	(1,023)	17,446	16,881
TOTAL LIABILITIES AND FUND BALANCE	\$ 31,458	\$ 498	\$ 31,956	\$ 51,881

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005

	<u>FOOD SERVICE</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>	
			<u>2006</u>	<u>2005</u>
<u>REVENUES</u>				
Local Sources	\$ 284,603	\$ 107,205	\$ 391,808	\$ 404,886
State Sources	27,418	0	27,418	29,033
Federal Sources	135,609	0	135,609	131,663
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	447,630	107,205	554,835	565,582
	<hr/>	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>				
Salaries	142,261	142,083	284,344	278,175
Employee Benefits	110,025	32,315	142,340	128,824
Purchased Services	6,917	33,137	40,054	37,663
Supplies and Materials	219,096	33,294	252,390	261,701
Capital Outlay	0	12,440	12,440	7,091
Other Expenses	1,915	29,934	31,849	39,848
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	480,214	283,203	763,417	753,302
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	(32,584)	(175,998)	(208,582)	(187,720)
	<hr/>	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES</u>				
Transfers In	34,749	174,398	209,147	192,708
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	2,165	(1,600)	565	4,988
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE - Beginning of Year	16,304	577	16,881	11,893
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE - End of Year	\$ 18,469	\$ (1,023)	\$ 17,446	\$ 16,881
	<hr/>	<hr/>	<hr/>	<hr/>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN  
SPECIAL REVENUE FUND - FOOD SERVICE

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 19,128	\$ 38,878
Accounts Receivable	5,016	3,969
Inventory	<u>7,314</u>	<u>8,457</u>
 TOTAL ASSETS	 \$ <u>31,458</u>	 \$ <u>51,304</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ <u>12,989</u>	\$ <u>35,000</u>
 <u>FUND BALANCE</u>		
Reserved for Inventory	7,314	8,457
Unreserved, Undesignated	<u>11,155</u>	<u>7,847</u>
 Total Fund Balance	 <u>18,469</u>	 <u>16,304</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u>31,458</u>	 \$ <u>51,304</u>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

SPECIAL REVENUE FUND - FOOD SERVICE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Earnings on Investments and Deposits	\$ 0	\$ 177	\$ 139
Children's Lunches	299,700	273,443	285,910
Adult Lunches	0	5,254	8,051
Other	0	5,729	6,381
State Sources			
Matching Funds	27,000	27,418	29,033
Federal Sources			
Grants-In-Aid Restricted - Federal Aid	125,000	119,248	108,764
U.S.D.A. Donated Commodities	0	16,361	22,899
Total Revenues	<u>451,700</u>	<u>447,630</u>	<u>461,177</u>
<u>EXPENDITURES</u>			
Salaries	155,000	142,261	143,958
Employee Benefits	99,000	110,025	97,287
Purchased Services	6,800	6,917	6,947
Supplies and Materials	228,620	219,096	230,707
Capital Outlay	1,000	0	890
Other Expenses	800	1,915	2,662
Total Expenditures	<u>491,220</u>	<u>480,214</u>	<u>482,451</u>
Excess of Revenues Over (Under) Expenditures	(39,520)	(32,584)	(21,274)
<u>OTHER FINANCING SOURCES</u>			
Transfers In - General Fund	<u>33,000</u>	<u>34,749</u>	<u>26,953</u>
Net Change in Fund Balance	(6,520)	2,165	5,679
FUND BALANCE - Beginning of Year	<u>16,304</u>	<u>16,304</u>	<u>10,625</u>
FUND BALANCE - End of Year	\$ <u>9,784</u>	\$ <u>18,469</u>	\$ <u>16,304</u>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

SPECIAL REVENUE FUND - ATHLETIC ACTIVITIES

COMPARATIVE BALANCE SHEET  
JUNE 30,

		<u>2006</u>	<u>2005</u>
	<u>ASSETS</u>		
Cash		\$ 498	\$ 577
	<u>LIABILITIES AND FUND BALANCE</u>		
	<u>LIABILITIES</u>		
Due To Other Funds		\$ 1,521	\$ 0
	<u>FUND BALANCE</u>		
Unreserved, Undesignated - (Deficit)		(1,023)	577
TOTAL LIABILITIES AND FUND BALANCE		\$ 498	\$ 577

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN  
SPECIAL REVENUE FUND - ATHLETIC ACTIVITIES  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
General Admissions	\$ 105,700	\$ 45,953	\$ 56,951
Season Tickets	0	18,870	20,347
Entry Fees	0	5,819	8,611
Tournaments	0	18,645	3,345
Miscellaneous	0	17,918	15,151
Total Revenues	<u>105,700</u>	<u>107,205</u>	<u>104,405</u>
<u>EXPENDITURES</u>			
Salaries	180,600	142,083	134,217
Employee Benefits	0	32,315	31,537
Purchased Services	34,057	33,137	30,716
Supplies and Materials	29,960	33,294	30,994
Capital Outlay	12,450	12,440	6,201
Other Expenses	29,810	29,934	37,186
Total Expenditures	<u>286,877</u>	<u>283,203</u>	<u>270,851</u>
Excess of Revenues Over (Under) Expenditures	(181,177)	(175,998)	(166,446)
<u>OTHER FINANCING SOURCES</u>			
Transfers In - General Fund	<u>180,600</u>	<u>174,398</u>	<u>165,755</u>
Net Change in Fund Balance	(577)	(1,600)	(691)
FUND BALANCE - Beginning of Year	<u>1,268</u>	<u>577</u>	<u>1,268</u>
FUND BALANCE - End of Year - (Deficit)	\$ <u>691</u>	\$ <u>(1,023)</u>	\$ <u>577</u>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

DEBT SERVICE FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

		<u>2006</u>	<u>2005</u>
	<u>ASSETS</u>		
Cash	\$	739,378	\$ 531,861
Taxes Receivable		5,898	52,549
Due from Other Funds		<u>0</u>	<u>29</u>
 TOTAL ASSETS	\$	<u><u>745,276</u></u>	<u><u>\$ 584,439</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>			
 <u>LIABILITIES</u>			
Deferred Revenue	\$	5,089	\$ 5,845
 <u>FUND BALANCE</u>			
Reserved for Debt Service		<u>740,187</u>	<u>578,594</u>
 TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>745,276</u></u>	<u><u>\$ 584,439</u></u>



CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 1,614,400		
Property Taxes	0	\$ 1,562,564	\$ 1,474,938
Other Taxes	0	10,779	6,027
Penalties and Interest on Delinquent Taxes	0	3,493	4,041
Earnings on Investment and Deposits	0	40,672	19,847
Total Revenues	<u>1,614,400</u>	<u>1,617,508</u>	<u>1,504,853</u>
<u>EXPENDITURES</u>			
Redemption of Principal	590,000	590,000	525,000
Interest on Debt	862,330	862,329	885,779
Paying Agent Fees	1,200	1,200	275
Taxes Abated and Written Off	1,000	2,386	3,236
Miscellaneous	0	0	450
Total Expenditures	<u>1,454,530</u>	<u>1,455,915</u>	<u>1,414,740</u>
Net Change in Fund Balance	159,870	161,593	90,113
FUND BALANCE - Beginning of Year	<u>578,594</u>	<u>578,594</u>	<u>488,481</u>
FUND BALANCE - End of Year	<u>\$ 738,464</u>	<u>\$ 740,187</u>	<u>\$ 578,594</u>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

CAPITAL PROJECTS FUND - SINKING FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

		<u>2006</u>	<u>2005</u>
	<u>ASSETS</u>		
Cash	\$	447,574	\$ 29,501
Taxes Receivable		1,642	20,330
TOTAL ASSETS	\$	<u>449,216</u>	<u>\$ 49,831</u>
	<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>			
Deferred Revenue	\$	1,294	\$ 1,488
Due to Other Funds		0	95,219
		<u>1,294</u>	<u>96,707</u>
<u>FUND BALANCE</u>			
Reserved for Capital Projects		447,922	0
Unreserved, Undesignated - (Deficit)		0	(46,876)
Total Fund Balance - (Deficit)		<u>447,922</u>	<u>(46,876)</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u>449,216</u>	<u>\$ 49,831</u>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

CAPITAL PROJECTS FUND - SINKING FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Property Tax - Current Tax Roll	\$ 593,500	\$ 578,900	\$ 547,324
Other Taxes	0	4,073	2,288
Penalties and Interest on Delinquent Taxes	0	1,843	1,389
Earnings on Investments and Deposits	0	13,498	1,394
Total Revenues	<u>593,500</u>	<u>598,314</u>	<u>552,395</u>
<u>EXPENDITURES</u>			
Operation and Maintenance			
Professional Services	0	650	30,238
Repairs	25,000	22,405	138,578
Additions/Improvements	65,000	79,732	583,716
Adjustment to Prior Year Property Taxes	200	729	729
Total Expenditures	<u>90,200</u>	<u>103,516</u>	<u>753,261</u>
Net Change in Fund Balance	503,300	494,798	(200,866)
FUND BALANCE - Beginning of Year - (Deficit)	<u>(46,876)</u>	<u>(46,876)</u>	<u>153,990</u>
FUND BALANCE - End of Year	\$ <u>456,424</u>	\$ <u>447,922</u>	\$ <u>(46,876)</u>

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

FIDUCIARY FUND TYPES  
COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2006

WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

AGENCY FUNDS

					TOTALS	
	HIGH SCHOOL BUILDING	MIDDLE SCHOOL BUILDING	ELEMENTARY SCHOOL BUILDING	ADMINISTRATIVE BUILDING	2006	2005
<u>ASSETS</u>						
Cash	\$ 58,387	\$ 15,928	\$ 32,679	\$ 321	\$ 107,315	\$ 93,125
<u>LIABILITIES</u>						
Due to Groups and Organizations	\$ 58,387	\$ 15,928	\$ 32,679	\$ 321	\$ 107,315	\$ 93,125

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

FIDUCIARY FUND TYPES

AGENCY FUND

INTERNAL SCHOOL ACTIVITIES ACCOUNT - HIGH SCHOOL BUILDING

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2006

	BALANCE 7/1/2005	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2006
AP Books	\$ 70	\$ 30	100	\$ 0
Art Fund	287	737	922	102
Band	234	2,473	2,197	510
Baseball	297	16,602	16,690	209
Boys Soccer	499	599	0	1,098
Boys Varsity Basketball	210	7,755	5,403	2,562
Boys Wrestling	16	143	0	159
Broadcasting	0	327	315	12
Cheerleaders Club	15	5,045	4,416	644
Chemistry	0	1,312	1,117	195
Class of 2005	3,393	13	3,406	0
Class of 2006	6,192	196	4,365	2,023
Class of 2007	563	6,169	2,235	4,497
Class of 2008	600	1,750	23	2,327
Class of 2009	0	100	0	100
Construction Technologies	3,266	2,700	2,101	3,865
Cross Country	2,296	7,800	7,876	2,220
Engineering Technologies	584	3,983	3,249	1,318
Enrichments Center	22	962	969	15
Faculty Gift	830	550	501	879
Football (Varsity)	2,474	17,680	15,251	4,903
Foreign Language	(3)	3	0	0
French Club	391	379	244	526
Girls Basketball	82	5,583	1,651	4,014
Girls Soccer	489	2,806	1,854	1,441
Girls Softball	485	471	170	786
Girls Volleyball	2,240	2,044	3,453	831
Golf Team	586	345	603	328
Gowell Seminar	4	0	0	4
Health Occupations	1,067	565	666	966
Inaugural Trip	122	0	0	122
Interest	0	135	107	28
Kessler Seminar	150	0	0	150
Key Club	374	0	374	0
Library Fine Money	812	422	539	695

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

FIDUCIARY FUND TYPES

AGENCY FUND

INTERNAL SCHOOL ACTIVITIES ACCOUNT - HIGH SCHOOL BUILDING

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2006

	BALANCE 7/1/2005	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2006
Management Support	9	0	0	9
Math Department	1,035	0	65	970
National Honor Society	6	1,759	1,525	240
NCA Goals Reading	3	0	0	3
Parking	0	2,024	1,438	586
Pencil Machine	67	0	0	67
Performing Arts	(2,257)	15,438	12,872	309
Performing Arts Assessment	761	22	600	183
Physics	30	0	0	30
Picture Money - High School	300	308	278	330
Principals Activity	122	11,439	8,203	3,358
Scholarships	1,000	1,006	2,006	0
Science	423	2,485	2,693	215
Senior Party	2,317	270	2,587	0
Ski Team	607	8,753	7,381	1,979
Softball - Junior Varsity	0	664	664	0
Spanish Club	919	10,647	10,970	596
Staff Lounge	1,757	1,328	1,368	1,717
Student Council	589	1,068	1,534	123
Student Locks	1,193	750	1,818	125
Tennis	0	311	311	0
Track	55	0	0	55
Trimper Account	29	0	29	0
Yearbook	14,228	31,714	37,158	8,784
Other	919	260	0	1,179

\$	52,759	\$	179,925	\$	174,297	\$	58,387
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Represented by

Assets

Cash

\$	52,759	\$	58,387
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Liabilities

Due to Groups and

Organizations

\$	52,759	\$	58,387
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CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

FIDUCIARY FUND TYPES

AGENCY FUND

INTERNAL SCHOOL ACTIVITIES ACCOUNT - MIDDLE SCHOOL BUILDING

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2006

	BALANCE 7/1/2005	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2006
Athletic Department	\$ 885	\$ 7,859	\$ 8,433	\$ 311
Art/Shop	2,434	4,339	5,527	1,246
Band	287	2,474	2,622	139
Class of 2009	755	3,005	3,276	484
Class of 2010	456	525	227	754
Class of 2011	0	100	32	68
Class of 2012	201	488	634	55
F.P.S. - Chicago Trip	465	3,139	3,268	336
Gift Fund	553	455	225	783
Library	494	3,413	3,801	106
Performing Arts	230	0	0	230
Principal's Account	6,267	9,321	10,905	4,683
School Store	70	427	431	66
Student Council	0	298	173	125
Wrestling	3,982	9,319	9,980	3,321
Yearbook	0	3,566	1,331	2,235
Class of 2010 Washington D.C. Trip	144	9,325	8,483	986
	\$ 17,223	\$ 58,053	\$ 59,348	\$ 15,928
Represented by				
Assets				
Cash	\$ 17,223			\$ 15,928
Liabilities				
Due to Groups and Organizations	\$ 17,223			\$ 15,928

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

FIDUCIARY FUND TYPES

AGENCY FUND

INTERNAL SCHOOL ACTIVITIES ACCOUNT - ELEMENTARY SCHOOL BUILDING

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2006

	BALANCE 7/1/2005	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2006
Kindergarten	\$ 1,079	\$ 1,267	1,046	\$ 1,300
First Grade	761	1,124	1,128	757
Second Grade	1,089	731	754	1,066
Third Grade	444	931	1,348	27
Fourth Grade	746	767	785	728
Fine Arts	5,981	301	2,073	4,209
Fund Raiser	5,689	28,664	17,934	16,419
Library	301	9,351	9,031	621
Office	2,365	499	496	2,368
Pencils	418	868	912	374
Beach	0	143	87	56
Pictures	107	940	913	134
Pop Fund	14	1,521	1,529	6
Social Committee	714	848	879	683
Special Needs	1,019	4,176	3,268	1,927
STAR	512	500	500	512
Store Receipts	1,569	1,826	1,904	1,491
	<u>\$ 22,809</u>	<u>\$ 54,457</u>	<u>\$ 44,587</u>	<u>\$ 32,679</u>
Represented by				
Assets				
Cash	<u>\$ 22,809</u>			<u>\$ 32,679</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 22,809</u>			<u>\$ 32,679</u>



CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

FIDUCIARY FUND TYPES  
AGENCY FUND

INTERNAL SCHOOL ACTIVITIES ACCOUNT - ADMINISTRATIVE BUILDING

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
YEAR ENDED JUNE 30, 2006

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE
	7/1/2005	(Including Transfers)		6/30/2006
Petty Cash	\$ 334	\$ 299	\$ 312	\$ 321
Represented by				
Assets				
Cash	\$ 334			\$ 321
Liabilities				
Due to Groups and Organizations	\$ 334			\$ 321

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN  
SCHEDULE OF 2005 TAX ROLL  
YEAR ENDED JUNE 30, 2006

	TAXABLE VALUATION	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
<u>GENERAL FUND</u>				
<u>17.955 MILLS</u>				
<u>CHARLEVOIX COUNTY</u>				
City of Charlevoix	\$ 140,146,608	\$ 2,516,326	\$ 2,455,794	\$ 60,532
Charlevoix Township	103,933,564	1,866,127	1,812,246	53,881
Eveline Township	30,741,496	551,963	535,377	16,586
Hayes Township	70,158,852	1,259,700	1,207,944	51,756
Marion Township	23,623,107	424,151	406,875	17,276
Norwood Township	14,958,551	268,580	257,462	11,118
<u>ANTRIM COUNTY</u>				
Banks Township	3,016,456	54,160	54,160	0
	386,578,634	6,941,007	6,729,858	211,149
Less:				
Downtown Development Authority				
Net of Eligible Obligations	(10,517,636)	(188,844)		
	376,060,998	6,752,163		
<u>CAPITAL PROJECTS FUND</u>				
<u>.88814 MILLS</u>				
<u>CHARLEVOIX COUNTY</u>				
City of Charlevoix	206,587,085	182,071	178,020	4,051
Charlevoix Township	160,163,539	141,200	138,008	3,192
Eveline Township	45,312,624	39,925	38,913	1,012
Hayes Township	142,685,080	125,755	121,047	4,708
Marion Township	67,664,125	59,632	57,718	1,914
Norwood Township	39,027,786	34,396	32,361	2,035
<u>ANTRIM COUNTY</u>				
Banks Township	6,307,161	5,559	5,322	237
	667,747,400	588,538	571,389	17,149
Less:				
Downtown Development Authority	(10,935,264)	(9,638)		
	656,812,136	578,900		
<u>DEBT RETIREMENT FUND</u>				
<u>2.34 MILLS</u>				
<u>CHARLEVOIX COUNTY</u>				
City of Charlevoix	206,587,085	483,400	472,642	10,758
Charlevoix Township	160,163,539	374,882	369,296	5,586
Eveline Township	45,312,624	106,000	103,312	2,688
Hayes Township	142,685,080	333,874	321,376	12,498
Marion Township	67,664,125	158,327	153,244	5,083
Norwood Township	39,027,786	91,322	85,916	5,406
<u>ANTRIM COUNTY</u>				
Banks Township	6,307,161	14,759	14,129	630
	\$ 667,747,400	\$ 1,562,564	\$ 1,519,915	\$ 42,649

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2006

<u>TITLE OF ISSUE</u>	1999 School Building and Site Bonds
<u>PURPOSE</u>	The Bonds were authorized at an election on October 11, 1999, for the purpose of erecting, furnishing and equipping a new high school building and an addition to the elementary school; acquiring and installing educational technology improvements; partially remodeling, refurnishing and re-equipping school buildings; acquiring, developing and improving a playground, athletic and outdoor physical education fields and sites and to pay the costs of issuing the Bonds.
<u>DATE OF ISSUE</u>	December 1, 1999
<u>INTEREST PAYABLE</u>	May 1, and November 1, of Each Year
<u>AMOUNT OF ISSUE</u>	\$ 18,825,000
<u>AMOUNT OF ADVANCE REFUNDING RESULTING IN DEFEASANCE OF DEBT</u>	(14,410,000)
<u>AMOUNT REDEEMED</u>	
Current Year	\$ 550,000
Prior Years	<u>1,770,000</u> <u>2,320,000</u>
<u>BALANCE OUTSTANDING</u>	June 30, 2006 <span style="float: right;">\$ <u><u>2,095,000</u></u></span>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2006		51,408	51,408	0
May 1, 2007	4.80%	671,408	51,408	620,000
November 1, 2007		36,527	36,527	0
May 1, 2008	4.90%	731,527	36,527	695,000
November 1, 2008		19,500	19,500	0
May 1, 2009	5.00%	799,500	19,500	780,000
		<u>\$ 2,309,870</u>	<u>\$ 214,870</u>	<u>\$ 2,095,000</u>

DENOMINATIONS \$5,000 Each, or any Integral Multiple Thereof.

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2006

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2010, are subject to redemption at the option of the School District in such order as the School District may determine and by lot within any maturity, on any interest.

\$14,410,000 of the bonds maturing May 1, 2010 through May 1, 2020 will be redeemed utilizing the proceeds derived from the 2001 Refunding Bond Issue on May 1, 2010. The district has established an escrow fund with Fifth Third Bank, Grand Rapids, Michigan.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount.

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2006

<u>TITLE OF ISSUE</u>	2001 Refunding Bonds
<u>PURPOSE</u>	The Bonds are being issued for the purpose of advance refunding a portion of the school District's outstanding 1999 School Building and Site Bonds dated December 1, 1999, which are due and payable May 1, 2010 through May 1, 2017, inclusive and May 1, 2020.
<u>DATE OF ISSUE</u>	October 23, 2001
<u>INTEREST PAYABLE</u>	May 1, and November 1, of Each Year
<u>AMOUNT OF ISSUE</u>	\$ 14,725,000
<u>AMOUNT REDEEMED</u>	
Current Year	\$ 40,000
Prior Years	<div style="display: flex; justify-content: space-between;"> <span><u>115,000</u></span> <span><u>155,000</u></span> </div>
<u>BALANCE OUTSTANDING</u>	June 30, 2006 \$ <u><u>14,570,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2006		366,212	366,212	0
May 1, 2007	3.35%	406,212	366,212	40,000
November 1, 2007		365,543	365,543	0
May 1, 2008	3.60%	410,543	365,543	45,000
November 1, 2008		364,732	364,732	0
May 1, 2009	3.75%	409,732	364,732	45,000
November 1, 2009		363,889	363,889	
May 1, 2010	3.90%	1,273,889	363,889	910,000
November 1, 2010		346,144	346,144	
May 1, 2011	4.00%	1,346,144	346,144	1,000,000
November 1, 2011		326,144	326,144	
May 1, 2012	5.50%	1,411,144	326,144	1,085,000
November 1, 2012		296,306	296,306	
May 1, 2013	5.50%	1,496,306	296,306	1,200,000
November 1, 2013		263,306	263,306	
May 1, 2014	5.25%	1,583,306	263,306	1,320,000

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2006

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2014		228,656	228,656	
May 1, 2015	5.25%	1,653,656	228,656	1,425,000
November 1, 2015		191,250	191,250	
May 1, 2016	5.25%	1,691,250	191,250	1,500,000
November 1, 2016		151,875	151,875	
May 1, 2017	5.25%	1,651,875	151,875	1,500,000
November 1, 2017		112,500	112,500	
May 1, 2018	5.00%	1,612,500	112,500	1,500,000
November 1, 2018		75,000	75,000	
May 1, 2019	5.00%	1,575,000	75,000	1,500,000
November 1, 2019		37,500	37,500	
May 1, 2020	5.00%	1,537,500	37,500	1,500,000
		<u>\$ 21,548,114</u>	<u>\$ 6,978,114</u>	<u>\$ 14,570,000</u>

DENOMINATIONS

\$5,000 Each, or any Integral Multiple Thereof.

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2012, are subject to redemption at the option of the School District in such order as the School District may determine and by lot within any maturity, on any interest payment date occurring on or after November 1, 2011, at par plus accrued interest to the date fixed for redemption.

The Bonds maturing on May 1, 2020 are term bonds (the "Term Bonds") subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount thereof, with interest thereon to the redemption date.

CHARLEVOIX PUBLIC SCHOOLS  
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2006

When Term Bonds are purchased by the School District and delivered to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased in the order determined by the school district.

<u>Term Bonds due May 1, 2020</u>			<u>Principal</u>
	<u>Redemption Dates</u>		<u>Amounts</u>
May 1, 2018		\$	1,500,000
May 1, 2019			1,500,000
May 1, 2020			1,500,000

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount.

# *Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

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STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

July 7, 2006

## REPORT ON ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Charlevoix Public Schools  
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlevoix Public Schools, as of and for the year ended June 30, 2006, which collectively comprise the Charlevoix Public School's basic financial statements and have issued our report thereon dated July 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Charlevoix Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect Charlevoix Public School's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as follows:

The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties and have taken measures of management oversight to help compensate for this limitation.



A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Charlevoix Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that reported to the management of Charlevoix Public School in a separate letter dated July 7, 2006.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

July 7, 2006

## LETTER OF COMMENTS AND RECOMMENDATIONS

Charlevoix Public Schools  
Charlevoix, Michigan

Dear Members of the Board and Administrators:

As a result of our audit of the financial statements of the Charlevoix Public Schools for the year ended June 30, 2006, we would like to take this opportunity to comment on the following items relative to the management and accounting records and procedures of the School District:

### Financial Information Database (FID)

The State of Michigan's Financial Information Database (FID) System has replaced the Form B report by requiring District's to submit their financial information electronically to the State using the State's new Chart of Accounts. The school is responsible for ensuring its' compliance with the State's new Chart of Accounts. The State has indicated it will accept FID transmittals using the State Chart through Change Notice Number 12 or 13 (School's choice).

### Changes to Employer 403(b) Plans

The Internal Revenue Service recently issued new regulations under Internal Revenue Code Section 403(b) which contains a series of provisions that will need to be a source of consideration for the District since it currently participates in allowing employees the option to defer a portion of their salaries and wages annually. These new regulations are effective January 1, 2008.

These new proposed regulations contain significant changes in the manner in which 403(b) Plans are administered and mandate additional requirements for the school district to implement if the 403(b) Plan is to qualify under the new IRS regulations. These new regulations place direct accountability on the school district for the program and give the district the discretion and authority to choose the benefit options of the plan.

### **Plan Document Required**

The new regulations will now require a formal written plan document. This plan document must include all material provisions regarding eligibility, benefits, applicable contribution limits, a description of available contracts provided under the plan, loan procedures and provisions, hardship distributions and the time and form of any other distribution to be made from the plan as well as any other terms and conditions applicable to the plan.

**Investment Options**

All contracts (i.e. annuities) and custodial accounts (i.e. mutual funds) available under the plan must be described within the plan. School Districts will be required to maintain a current list of all providers authorized to provide products to employees as part of the plan. Thus the district controls the authorization process.

**Meaningful Notice of the Plan**

The regulations require employers to give their employees "meaningful notice" of their rights to participate in a 403(b) program and must provide an effective opportunity to make or to change an elective deferral election.

**Deposit Requirements**

The proposed regulations establish requirements that employers must transmit the employee's salary reduction contributions as soon as practicable but no later than the 15th business day of the month following the date on which the amounts would have been paid to the employee.

These are just a few of requirements set forth under this new regulation. We recommend that the District become aware of the provisions under these regulations as you work on implementing or modifying your current plan document so that you can be in compliance when they become effective.

Condition of Accounting Records

The accounting records were again found to be in excellent condition. We would like to congratulate the accounting personnel for doing a good job and thank them for their efforts in accumulating the information needed for the audit.

Internal Activity Fund Accounting Records

The accounting information for some of the student activities was not in balance at the end of the year. This appears to be somewhat of a recurring problem as it has appeared to not reconcile to the bank for much of year. As a result, the Business Manager was forced to spend a significant amount of time in reconciling the balances for the year.

We recommend that additional accounting and reporting controls be considered such as reporting of balances and bank reconciliations to be provided to the Business Manager on a periodic basis.

The District may also wish to take the opportunity to review that the internal controls in place for the Internal Activity Funds are being following on a consistent basis.

We wish to take this opportunity to thank the Board for awarding this firm the audit assignment of the District, and the administration and staff for their assistance in helping us fulfill this audit assignment. If you have any questions relative to the preceding comments and recommendations or other areas of your annual audit, please feel free to contact us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*